



WEEKLY OUTLOOK

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JUNE 30 USDA REPORTS TO CONTAIN IMPORTANT SOYBEAN ESTIMATES

On June 30, the USDA will release its quarterly *Grain Stocks* report and the *Acreage* report. The quarterly stocks report is typically not a critical report for soybeans. Unlike the corn market, there are weekly and monthly reports of domestic soybean consumption. The stocks report does not reveal the level of soybean consumption for the previous quarter, but serves as a check on the accuracy of the production estimate.

The June 1 stocks figures this year, however, takes on added importance for at least two reasons. First, a record pace of consumption so far this year has reduced stocks to a relatively low level. The USDA continues to project year ending stocks at an extremely snug 130 million bushels, or 5.3 percent of projected use for the year. A few million bushels one way or another in the June report could be significant.

Second, the March stocks report suggested that the 1996 crop may have been slightly overestimated. That observation is based on the relatively large residual (or unaccounted) use of soybeans during the first half of the marketing year. The seed, feed, and residual use of soybeans during that period totaled 130 million bushels, based on a production estimate of 2.382 billion bushels. For the year, USDA projects use in that category at 131 million bushels. If that projection is correct, use during the last half of the year will be only one million bushels. The June stocks report should provide some insight into whether the crop has been overestimated, or whether the feed, seed, and residual projection is too small. In the 1993-94 marketing year, use in the feed, seed, and residual category was calculated as a negative value during the last half of the year. In the 1994-95 marketing year, the estimate of seed, feed, and residual use was large in the first half of the year and for the year was an extremely large 154 million bushels. That figure implies an overestimate of the 1994 crop, but the crop estimate was not changed.

Based on reported estimates of soybean exports and crush during the period March through May this year, soybean use should have totaled 522 million bushels. That would leave June 1 stocks of about 535 million bushels if the crop has been correctly estimated and the projection of feed, seed, and residual use is correct.

The June *Acreage* report will provide an update on actual and intended planted acreage of soybeans. With over three-fourths of the soybeans planted as of June 1, the report should provide a fairly accurate estimate of actual plantings. In the other seven years of extremely early planting since 1980, the June acreage figure was above the March intentions figure four times, by an average of 1.15 million acres (in a range of 0.5 to 1.8 million). The June figure was below March intentions three times, by an average

of 767 thousand acres (in a range of 0.2 to 1.1 million). It is interesting to note that the June figure was below the March figure in the first three years used in this analysis (1980, 1985, and 1986) and above in the last four years (1987, 1988, 1992, and 1994). Actual planted acreage deviated more than 0.5 million acres from the June figure only in 1986, when planted acreage was 1.4 million below the June figure.

This year, there has been one private estimate for soybean acreage to fall 1.3 million acres below the March intentions figure of 68.8 million acres. The acreage is expected to show up as planted to corn and spring wheat. For the most part, the market seems to be expecting a June figure near the March estimate. Once the figure is released and absorbed by the market, the focus will be primarily on weather conditions and progress of the crop.

For its early projections, the USDA is using an expected yield of 38.5 bushels per acre on harvested acreage of 67.5 million acres. The yield estimate is 0.9 bushels above the current yield estimate for the 1996 crop and 2.9 bushels below the record yield of 1994. The projection of "unharvested acreage" of 1.3 million acres compares to the average of 853 thousand acres for the past three years. The 1.3 million acres represents 1.89 percent of planted acreage, up from the average of 1.35 percent for unharvested acreage in the previous three years.

New crop soybean prices have come under renewed pressure as weather conditions have generally improved. The National Weather Service forecast through the end of the month shows generally favorable conditions, except for below normal precipitation in Iowa. November soybean futures have equaled the low near \$6.48 reached in November 1996, but are well above the contract low of \$5.975 reached on March 1, 1995. The June Acreage report and subsequent weather conditions will likely determine if the recent low will hold.



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